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NATIONAL INTELLIGENCE DAILY CABLE

Tuesday July 12, 1977 CG NIDC 77-160C

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National Intelligence Daily Cable for Tuesday July 12, 1977.

The NID Cable is for the purpose of informing senior US officials.

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**USSR: Record Big Grain Harvest**

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[redacted] //The USSR appears headed toward a second consecutive record grain harvest. Both CIA and the US Department of Agriculture currently estimate Soviet 1977 production at 225 million tons, slightly above last year's record output. Moscow probably will buy no more than 10 million to 12 million tons of grain for delivery in marketing year 1977-78.//

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[redacted] //The excellent prospects for this year's harvest are built on expectations for a record winter grain crop. We estimate output of winter grains at 72 million tons, about 8.5 million tons greater than the previous record and some 2 million tons higher than our initial projection in late May. The upward revision reflects slightly better yields for both winter rye and winter barley, which account for about one third of the USSR's winter grain area.//

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[redacted] The Soviets, however, face some problems in harvesting the winter crop. Harvesting, which began in late June in the southern region around the Black Sea, is especially difficult this year because of heavy rainfall in June. The USDA's winter grain team reported extensive lodging--flattening of grain stalks by rain and wind--in the eastern Ukraine.

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[redacted] //Wet conditions are also delaying mechanized field operations such as haymaking, and in turn, these operations are overlapping the early wheat harvest in parts of the northern Caucasus. Heavy weed growth--another consequence of the excessive rainfall--will add to harvesting difficulties.//

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[redacted] //Unless a drying trend develops soon, the milling and breadmaking quality of winter wheat will be substantially reduced by excess moisture and mold growth. Soviet grain drying capacity has expanded in recent years, but these facilities will face a stiff test in coping with this year's crop. Storing grain with a high moisture content usually results in molding. Flour from such grain is unsuitable for bread.//

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[redacted] //Spring grain production is now estimated at 153 million tons, 10 million tons lower than last year's record harvest but still the third largest spring crop ever. Overall, prospects for higher yields are somewhat better than last year,

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but a 3- to 4-percent reduction in the spring sown area makes the likelihood of back-to-back record outputs remote. Total spring grain seeding, which includes corn, was completed in early June on about 99 million hectares. Allowing for normal abandonment, about 97 million hectares of spring grains will be harvested.//

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[redacted] //During June and early July, unusually heavy rains occurred throughout the European USSR from the Baltic states to the North Caucasus. Some localized flooding occurred in the Ukraine, but we expect the overall impact of the rains on this year's crop to be unusually favorable. Yields of both winter and spring grains in the southern Ukraine adjacent to the Black Sea could be as much as 10 percent above the area's previous record.//

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[redacted] //In the major spring grain areas east of the Ural Mountains, spring soil moisture was above normal and significantly better than last year. Parts of northern Kazakhstan experienced a reduction in surface soil moisture in early May, but improved markedly as a result of numerous local showers during June. In West Siberia favorable crop conditions have existed since early spring and show no signs of deteriorating. A short-range weather forecast indicates a stationary weather system that will provide adequate rainfall in most of the spring grain area through mid-July, mostly from late afternoon showers.//

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[redacted] //To achieve another record total grain crop, adequate soil moisture levels must continue in the drought-prone spring grain area. With 95 percent of the total grain crop yet unharvested and with two thirds of the spring grain yet to ripen, the outcome is far from certain. Prevailing weather and crop conditions from now to late harvesting in September will have substantial impact on the size and quality of this year's crop.//

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[redacted] Because of the prospects for a second record crop, the USSR again is likely to make relatively modest grain purchases for delivery in marketing year 1978--10 million to 12 million tons compared with about 12 million tons the previous year. Trade sources report that in late June Moscow contracted for 6 million tons of wheat and corn for delivery beginning this fall.

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[redacted] Some of these contracts undoubtedly will be for US grain. The Soviets must buy at least 6 million tons from the US, evenly divided between wheat and corn, under the second year of the US-USSR long-term grain agreement. In addition, the Soviets reportedly are interested in buying about 2 million tons of soybeans compared with the 1.5 million to 2 million tons that will be delivered by October 1977. [redacted]

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CHILE: Return to Civilian Rule

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[redacted] Chilean President Pinochet has announced plans to return the country to civilian rule by 1985. His blueprint for a return to "normalcy," the delivery to Washington of an advance text of his speech of last Saturday, and recent reports that he is considering restricting the power of the notorious National Intelligence Directorate (DINA), all suggest that Pinochet has finally become convinced that draconian measures are no longer necessary in Chile and that it is time for a new image.

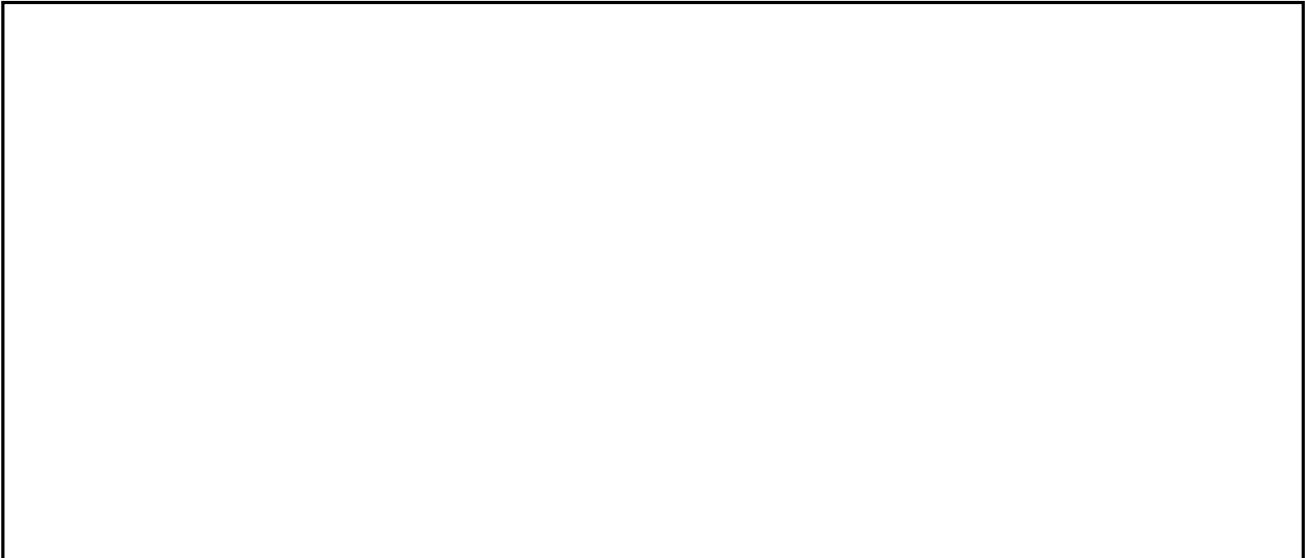
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[redacted] Pinochet's suggested schedule for a return to civilian rule culminates in limited popular elections in 1985. These elections would choose two thirds of the delegates to a legislative assembly that would then appoint a new president. Prior to this, the junta in 1980 will name the members of a single legislative chamber that will rule jointly with the armed forces for four or five years.

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[redacted] Pinochet warned that the entire plan depends on continued signs of "recuperation" from the Allende years. If the announced timeframe is followed, Chile will be on a similar but slower schedule of the constitutional changes announced by the military governments of Bolivia and Peru.

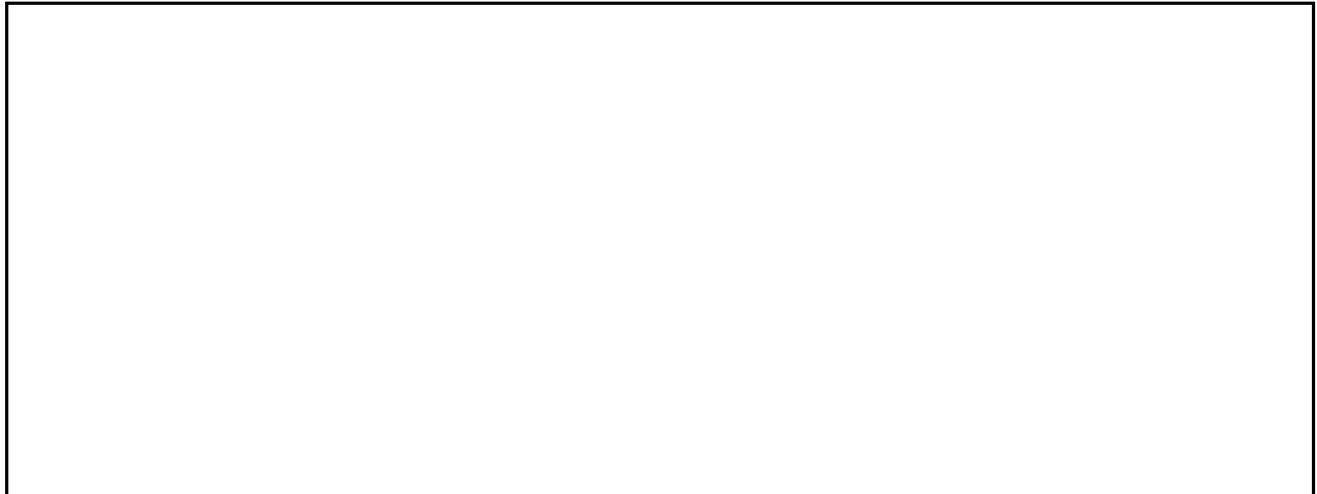
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[redacted] Pinochet, undoubtedly reflecting his aversion to the chaos of the Allende years, has been dragging his feet on the DINA issue. He probably believes that it is premature to curtail DINA or to return the country to civilian rule before 1985. Characteristically, he lashed out during his speech against foreign intervention in Chilean affairs under the guise of defending human rights.

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[redacted] Pressure from his colleagues in recent months has made Pinochet's stance increasingly unsupportable. The fact that political normalization will be supervised closely by the armed forces probably increased his willingness to make the election announcement. An added inducement, of course, is the announcement's expected beneficial effects on the government's popular support and its human rights image. Actually, however, very little in the present operation of the government will change. [redacted]

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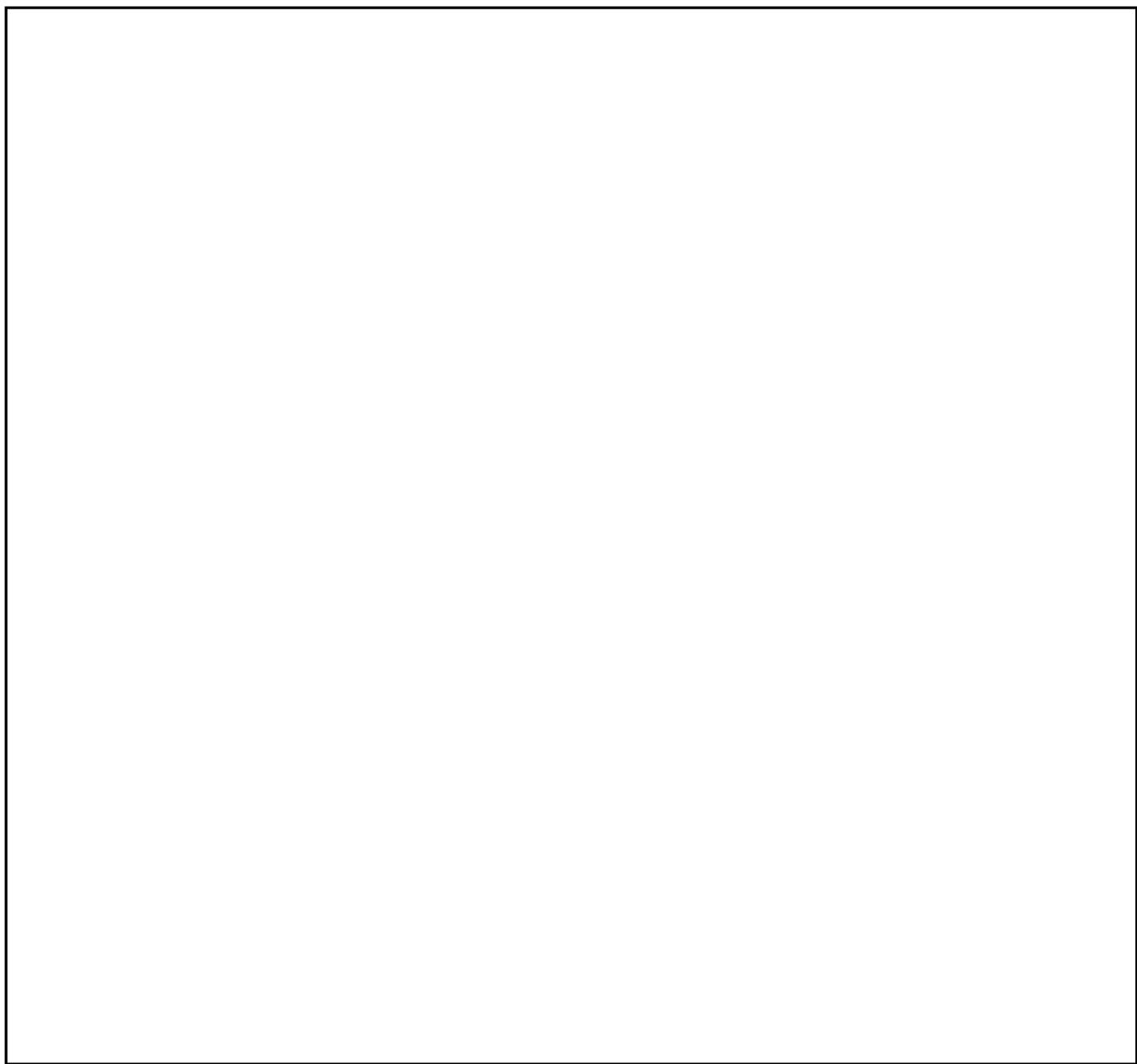


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#### JAPAN: Upper House Election Results

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[REDACTED] Japan's ruling Liberal Democratic Party seems certain to retain its razor-thin majority in the upper house of the Diet, according to unofficial returns from Sunday's national election. Although the Liberal Democrats won only 63

seats--two less than they needed to keep their grip on the upper house--at least two newly elected independent candidates are expected to join the party.

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[redacted] Overall, the Liberal Democrats held their own in balloting both for upper house candidates elected from local constituencies and on a nationwide level. At the local level, for example, the ruling party regained the eight seats it lost to the Socialists in 1971 by capitalizing on the opposition parties' failure to cooperate in the smaller election districts.

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[redacted] In the nationwide races, meanwhile, the Liberal Democrats benefited from their well-organized campaign and from the opposition's inability to take advantage of either voter dissatisfaction with the economy or the lingering memories of the Lockheed scandal.

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[redacted] For the most part, the opposition's performance reflected the popular trend toward moderate reformists and away from the militant leftists. The Clean Government Party, which won 14 seats, and the Democratic Socialist Party, which won six, were the major gainers, as they were in the lower house election in December.

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[redacted] Their advances came at the expense of the Socialists and the Communists; the Socialists lost five of the 32 seats they had at stake, while the Communists--the major losers in December--won only five seats on Sunday of the nine they had up for election. Meanwhile, the New Liberal Club, the conservative splinter group which bolted the ruling party last year, apparently ran well in a number of local races, although it fell short of its election goal by electing only three of its 14 upper house candidates.

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[redacted] //The election results do not indicate any major shift in Japan's political balance. The Liberal Democratic Party's performance has, however, given a boost to Prime Minister Fukuda [redacted]

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[redacted] //Fukuda almost certainly wants to improve his party's narrow four-seat majority in the more important lower chamber as soon as is feasible, although a decision on calling an election will clearly depend on other factors including the state of the economy and sentiment among the party rank and file.//

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[redacted] In the meantime, Fukuda and other party leaders will continue elaborating their ties with the opposition in managing day-to-day legislative business in the Diet. The success of the moderate reformists in the December lower house election clearly left the opposition inclined toward a more positive and workman-like approach to cooperation with the ruling party; in general, the outcome of Sunday's voting is likely to reinforce that trend in the upper house. [redacted]

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#### USSR: 15-Year Plan Hits a Snag

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[redacted] The USSR's efforts to formulate its 15-year plan (1976-90) have hit a snag because of serious difficulties in estimating and allocating energy resources and other raw materials, according to officials of the USSR State Planning Committee, or Gosplan. The officials told Western diplomats in Moscow of these and other problems, one of which involves the long-term planning of foreign trade--especially with the West. Their remarks indicate that the long-term economic plan is far from complete. In addition, public information on the 15-year plan as well as more detailed information on the 5-year plan for 1976-80 is likely to be limited.

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[redacted] The Soviets expressed concern about future manpower shortages and alluded to general difficulties in obtaining all the necessary data for the plan. According to Gosplan officials, the 15-year plan was scheduled to be finished in May for Soviet internal discussion. Soviet officials are now saying that it is unlikely that the plan will even be published. They say that it may become a set of general guidelines to be used only by government and party planners.

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[redacted] Information on the 15-year plan, as well as more detailed information on the 10th five-year plan for 1976-80, is likely to be made public only "bit by bit," according to the

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Gosplan officials. In March, Gosplan officials confirmed that Moscow did not intend to publish a detailed book on the five-year plan because Gosplan specialists were concentrating their efforts on drafting the 15-year plan.

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[redacted] The Soviets reportedly put off at least until next year recent Swedish proposals to buy natural gas. They stated that they were engaged in a survey of the energy situation through 1990 and that until the survey is completed, the Soviets would not be able to estimate how much additional natural gas would be available for export. Their comments suggest that several more months would be required to finish the survey.

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[redacted] Both Gosplan and trade officials who discussed the matter with the Swedes appeared more concerned about the volume of supply and levels of domestic demand than about possible price rises on the international market and allocations among foreign countries.

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[redacted] The long-term planning of foreign trade is difficult under the best of circumstances. Soviet uncertainties about Western pricing and credit policies and world trade in general further complicate their task, particularly as the West's share of Soviet foreign trade has grown steadily during the 1970s. Gosplan officials mentioned the lack of long-term trade and economic agreements as contributing to the problem.

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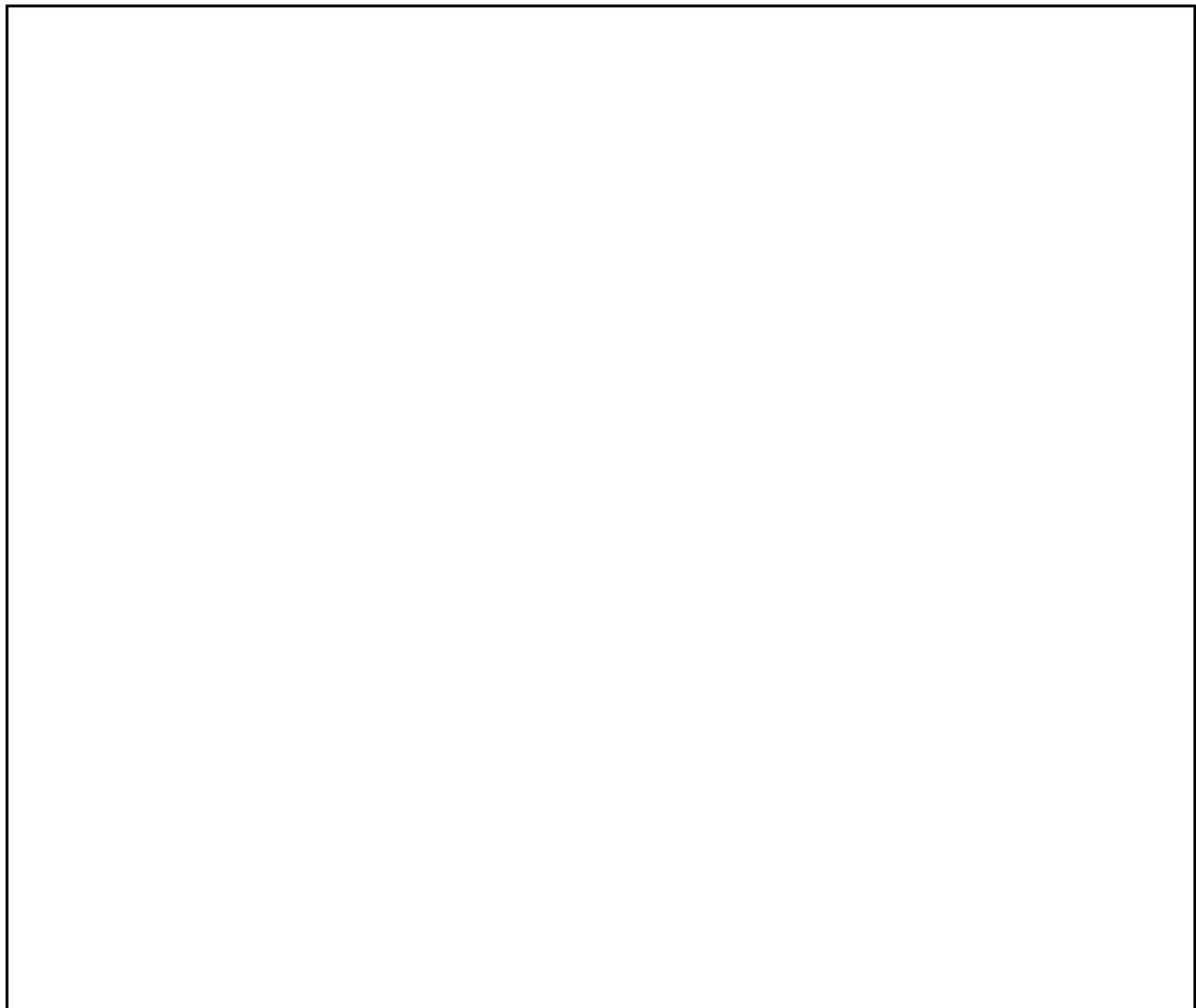
[redacted] Many of the difficulties in planning foreign trade--even in the short run--can be traced to the USSR's energy and natural resource sectors, where Soviet officials are now admitting problems. Recently, a Gosplan official quipped, "how can we be expected to plan foreign trade when we cannot plan production?"

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[redacted] Production from the energy and natural resource sectors accounts for a substantial portion of Soviet exports, particularly to hard-currency countries. Developments in these sectors also affect Soviet import plans because imported equipment, especially from the West, plays an important role.

[redacted] 25X1

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FRANCE - WEST GERMANY: Nuclear

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[redacted] France and West Germany are demonstrating closer cooperation in civil nuclear policies and programs. [redacted]

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[redacted] Although many of these programs have been under discussion for some time, in recent weeks:

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[redacted] West German Chancellor Schmidt announced that his country would refrain from exporting nuclear reprocessing technology for the time being. This statement brings West German nuclear export policy in line with that of France. French President Giscard probably urged Schmidt to make the announcement when Giscard visited Bonn in June.

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[redacted] France and West Germany implemented a major cooperation program in fast breeder research and marketing. At the same time, West German officials proposed new limits on US - West German fast breeder cooperation and suggested that the French be brought into talks on the subject.

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[redacted] West Germany approved a new contract for French reprocessing of spent West German nuclear fuel, despite recent claims indicating that new reactors might not be licensed in West Germany on the basis of such arrangements.

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[redacted] French and West German restraints on the sale of reprocessing technology are probably intended to soften US opposition to their plans. The restraints, however, mean little in practice now because the French-Pakistani and West German - Brazilian deals are not affected, there are no new customers for reprocessing technology at the moment, and other sensitive exports like fast breeder technology may continue. [redacted]

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## THE BAHAMAS: Election Prospects

25X1 [redacted] Bahamian Prime Minister Lynden Pindling and his Progressive Liberal Party face a tough election on July 19. The fragmentation of the opposition is likely to allow Pindling to retain power, although with a reduced margin in the lower house of the legislature.

25X1 [redacted] Pindling enjoyed wide popularity when he was elected in 1967 as the Bahamas' first black head of government. His stature was further enhanced in 1973 when he led the country into independence, hewing to a nationalistic but generally moderate course.

25X1 [redacted] In recent months, however, the Prime Minister's increasingly personal style of leadership has fostered challenges even within his own party. His growing awareness that he may be in for a tough election led him to cut short his stay at the Commonwealth conference in London last month so he could return home and begin campaigning.

25X1 [redacted] Although on the defensive, Pindling will probably be saved by the fact that the opposition is even more divided than his party. A few months ago, the main opposition groups attempted to submerge their differences--which are based more on personality than on ideology. Their efforts to agree on a single list of candidates failed, however, and the two major opposition parties are now each running nearly a full slate.

25X1 [redacted] No matter who wins, there is little immediate prospect of significant policy changes because neither of the ruling party's main challengers offers a program that differs markedly from the government's. Over the longer term, however, there are forces at work that could effect profound changes.

25X1 [redacted] Up to now, the country has been little affected by the Caribbean area's more militant ideologies and movements. Nevertheless, as young people from the isolated "out islands" continue to migrate to New Providence and Grand Bahama, these islands--overcrowded and plagued by unemployment--could become breeding grounds for radicals. [redacted]

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